

## ***IOPP Scoring Methodology Job Aid***

## Operational Metric Tier Calculation: Metric Scores

**Prior to the tier calculation, the individual metric score is calculated for each issuer in a given peer group.**

- In this example we will consider Issuer X and its tier ranking for the Compliance Review Metric.
- The Compliance Review metric is calculated as 50% of an Issuer's total findings, plus 30% of an Issuer's "High" findings, plus 20% of an Issuer's repeat findings for a given month in its most recent field review. Issuer X has a metric value of 3.6.

Issuer Number	Issuer Name	High Findings	Total Findings	Repeat Findings	Compliance Review Metric Value
1234	Issuer X	2	6	0	3.6
1111	Issuer A	3	8	0	4.9
2222	Issuer B	2	7	0	4.1
3333	Issuer C	4	10	0	6.2
4444	Issuer D	0	9	1	4.7
5555	Issuer E	3	8	4	5.7
6666	Issuer F	1	5	3	3.4
7777	Issuer G	2	9	5	6.1
8888	Issuer H	2	8	1	4.8
9999	Issuer I	2	6	0	3.6
1010	Issuer J	0	0	0	0
1212	Issuer K	3	8	3	5.5

## Operational Metric Tier Calculation: Peer Group

Following the metric score calculation, tiers are calculated within a peer group.

- An Issuer's tier ranking is determined by its relative performance within its peer group, rather than its absolute performance.
- Issuers in the same peer group are sorted by metric value, from worst metric value to best metric value.

Issuer Number	Issuer Name	Compliance Review Metric Value
3333	Issuer C	6.2
7777	Issuer G	6.1
5555	Issuer E	5.7
1212	Issuer K	5.5
1111	Issuer A	4.9
8888	Issuer H	4.8
4444	Issuer D	4.7
2222	Issuer B	4.1
1234	Issuer X	3.6
9999	Issuer I	3.6
6666	Issuer F	3.4
1010	Issuer J	0

## Operational Metric Tier Calculation: Tier Assignment

Next, the peer group is bucketed into 4 tiers, with 25% of the peer group in each tier.

- Since there are 12 Issuers in the peer group, each tier initially contains 3 Issuers.
- The 3 issuers with the worst metric values are placed into Tier 4, the next 3 issuers into Tier 3, and so on.
- Issuer X is initially placed into Tier 2.

Issuer Number	Issuer Name	Compliance Review Metric	
		Value	Tier
3333	Issuer C	6.2	4
7777	Issuer G	6.1	4
5555	Issuer E	5.7	4
1212	Issuer K	5.5	3
1111	Issuer A	4.9	3
8888	Issuer H	4.8	3
4444	Issuer D	4.7	2
2222	Issuer B	4.1	2
1234	Issuer X	3.6	2
9999	Issuer I	3.6	1
6666	Issuer F	3.4	1
1010	Issuer J	0	1

## Operational Metric Tier Calculation: IOPP Displayed Tier

If any Issuer has the same metric value as an Issuer in a higher tier, then that issuer is moved to the higher tier.

- Issuer I has the same metric value as Issuer X, so it is moved from tier 1 to tier 2.
- The “IOPP Displayed Tier” column shows the tiers for the Compliance Review Metric that would be displayed on the IOPP tool.

Issuer Number	Issuer Name	Compliance Review Metric		
		Value	Tier	IOPP Displayed Tier
3333	Issuer C	6.2	4	4
7777	Issuer G	6.1	4	4
5555	Issuer E	5.7	4	4
1212	Issuer K	5.5	3	3
1111	Issuer A	4.9	3	3
8888	Issuer H	4.8	3	3
4444	Issuer D	4.7	2	2
2222	Issuer B	4.1	2	2
1234	Issuer X	3.6	2	2
9999	Issuer I	3.6	1	2
6666	Issuer F	3.4	1	1
1010	Issuer J	0	1	1

## Operational Metric Tier Calculation: Null Values

### Issuers with a null metric value are initially assigned to Tier 1.

- In this example, we will consider Issuer X and its tier ranking for the Early Pool Termination metric.
- The 7 Issuers with a null value are placed in Tier 1.
  - 58% of the Issuers are in Tier 1 for this peer group rather than 25%.
  - Next, the 3 Issuers with the worst metric values are placed in Tier 4.
  - The remaining 2 Issuers, including Issuer X, receive a tier ranking of 3. Therefore, Tier 2 does not exist.

Issuer Number	Issuer Name	Early Pool Termination Metric Value	Tier	IOPP Displayed Tier
8888	Issuer H	3	4	4
1111	Issuer A	2	4	4
2222	Issuer B	2	4	4
9999	Issuer I	1	3	3
1234	Issuer X	1	3	3
6666	Issuer F	(null)	1	1
3333	Issuer C	(null)	1	1
7777	Issuer G	(null)	1	1
5555	Issuer E	(null)	1	1
1212	Issuer K	(null)	1	1
4444	Issuer D	(null)	1	1
1010	Issuer J	(null)	1	1

## Default Tier Calculation: Using Controlled Metrics

**Default metrics tier calculations rank are based on a Controlled Metric Value rather than the Issuer's metric value.**

- The Controlled Metric Value is calculated using the controlled peer group average, which buckets loans by cohort, state/region and loan purpose.
- This allows the default metrics to compare loans with similar characteristics.
- First, we will calculate the controlled peer group average for Issuer X for the % of Loans in Foreclosure metric. Below is a sample of buckets for Issuer X.

Bucket			Issuer's Loan Counts in a Bucket	Total Issuer's Loan Counts	Issuer's % of Loans [A]	% of Loans in Foreclosure of Peers' Loans in Same Buckets [B]	[A] x [B]
State	Cohort	Purpose					
VA	2012	Purchase	190	237,109	0.08%	1.1%	0.001%
VA	2012	Refinance	142	237,109	0.06%	3.7%	0.002%
VA	2012	Modification	1399	237,109	0.59%	1.2%	0.007%
	o				o		o
	o				o		o
Total – All Buckets					100%		1.69%

## Default Tier Calculation: Controlled Peer Group Average

The controlled peer group average is calculated using the following.

- Issuer's % of Loans [A]
  - % of loans in each bucket for Issuer X, the sum of which is 100%
- % of Loans in Foreclosure of Peers' Loans in Same Bucket [B]
  - % of Loans in Foreclosure of all loans that are in each bucket, EXCEPT for Issuer X's Loan
- [A] x [B]
  - Weighted average % of Loans in Foreclosure of Peer Group, excluding Issuer X, where the weighting is based on Issuer X's distribution of loans across buckets.
- Sum of [A] x [B]
  - Equals Controlled Peer Group Average of % of Loans in Foreclosure.

Bucket			Issuer's Loan Counts in a Bucket	Total Issuer's Loan Counts	Issuer's % of Loans [A]	% of Loans in Foreclosure of Peers' Loans in Same Buckets [B]	[A] x [B]
State	Cohort	Purpose					
VA	2012	Purchase	190	237,109	0.08%	1.1%	0.001%
VA	2012	Refinance	142	237,109	0.06%	3.7%	0.002%
VA	2012	Modification	1399	237,109	0.59%	1.2%	0.007%
	o				o		o
	o				o		o
Total – All Buckets					100%		1.69%

## Default Tier Calculation: Controlled Metric Value

The Controlled Metric Value is calculated using the Issuer's Metric Value and the Controlled Peer Group Average Controlled Peer Group Average.

- The Controlled Peer Group Average represents a Peer Group average that is adjusted for each Issuer's unique distribution of loans across the buckets.
- The Controlled Metric Value is the ratio of the Issuer's actual % of Loans in Foreclosure Ratio to its Controlled Peer Group Average of % of Loans in Foreclosure (  $[C]/[D]$  ).

Issuer Name	Loans	Number of Buckets	Issuer's % of Loans in Foreclosure [C]	Peer Group Average % of Loans in Foreclosure	Controlled Peer Group Average % of Loans in Foreclosure [D]	Controlled Metric Value [C] / [D]	Issuer's Loans included in Calculation	Issuer's Buckets included in Calculation
Issuer X	341,782	1,018	4.13%	1.78%	1.69%	244.38%	100%	100%
Issuer A	179,134	1,036	1.05%	1.78%	1.86%	56.45%	100%	100%
Issuer B	237,109	1,063	2.14%	1.78%	1.77%	120.90%	100%	100%

## Default Tier Calculation: Rank the Controlled Metric Values

### Tier calculation for default metrics utilizes the Controlled Metric Value.

- First, sort the issuers from worst Controlled Metric Value to best Controlled Metric Value and divide into four quartiles.
- Finally, if any Issuer has the same Controlled Metric Value as an Issuer in a higher tier, then that issuer is moved to the higher tier. This does not apply in this example.

Issuer Number	Issuer Name	% of Loans in Foreclosure Metric Value	Controlled Peer Group Average	Controlled Metric Value	Tier	IOPP Displayed Tier
5555	Issuer E	4.18%	1.52%	275.96%	4	4
1234	Issuer X	4.13%	1.69%	244.86%	4	4
6666	Issuer F	3.26%	1.59%	204.80%	4	4
7777	Issuer G	3.23%	1.72%	187.76%	3	3
2222	Issuer B	2.14%	1.77%	121.06%	3	3
4444	Issuer D	1.77%	1.78%	99.03%	3	3
1212	Issuer K	1.55%	1.80%	86.09%	2	2
8888	Issuer H	1.16%	1.94%	60.08%	2	2
1111	Issuer A	1.05%	1.86%	56.60%	2	2
1010	Issuer J	0.60%	1.93%	31.15%	1	1
9999	Issuer I	0.32%	1.89%	17.87%	1	1
3333	Issuer C	0.35%	1.94%	17.07%	1	1